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Taiwan

Product Brief - Broccoli and Cauliflower

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Report Highlights: Over the past four years, imports of broccoli have grown by more than 20 percent annually, and are now about 4,000 tons annually. Provided price competitiveness can be maintained, this growth is expected to continue. The United States is already the largest supplier of imported broccoli with around 80 percent market share.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei ATO [TW2], TW

Broccoli & Cauliflower

Executive Summary

- In both the production and import statistics, broccoli and cauliflower are treated as a single vegetable and therefore official data on production and consumption are not availableⁱ;
- Based on available data and industry interviews, total annual consumption of these two vegetables is estimated at 70,000 tons. The market is generally considered stable with little overall growth;
- According to industry sources, the demand for cauliflower is satisfied entirely from the local market; cauliflower is not imported;
- Nevertheless, there has been a strong growth in the market for imported broccoli over the past four years - by more than 20% annually, to a current market demand of around 4,000 tons per annum; provided price competitiveness can be maintained, this growth is expected to continue;
- The United States is already the largest supplier of imported broccoli with around 80% market share;
- The bulk of imported broccoli (80%) is sold through major retail chains during periods when the local product is in short supply; the balance is sold to the restaurant and hotel industry.

Table : Broccoli & Cauliflower - Summary of Market Conditions	
Market Advantages	Market Challenges
<ul style="list-style-type: none"> • US agricultural produce is well known in Taiwan and the USA has a reputation for quality product; • Buoyant hotel/restaurant industry will ensure a small but growing market demand for high quality product; • Increasing sophistication of the local market ensures that local consumers are increasingly turning to higher quality products; • Opportunity to develop the market as a significant proportion of consumers have yet to taste broccoli. • Broccoli is hard to freeze (easily discolors), this is an advantage for fresh product; • Greatest demand for imported product is in the summer months when local product is in shortest supply. 	<ul style="list-style-type: none"> • Taiwan's entry to WTO and a relaxation of agricultural imports from China (PRC) may introduce a new element of competition into the market; • Marketable primarily to city dwellers (considered a high class, or exotic vegetable). Nutritional value of the vegetable is not well understood. • Increasing competition likely from Australia and New Zealand; new patterns of trade are being established by Taiwanese entrepreneurs who have emigrated to those countries.

ⁱ In Taiwan, Broccoli is known as "American Cauliflower"

Market Access

Tariffs & Taxes

According to the Taiwan Customs Tariff Schedule the importation of broccoli is controlled by the Taiwan Board of Foreign Trade. Importers need to be aware that imports of this vegetable are subject to quarantine inspection. Imports from mainland China are prohibited.

Within the distribution chain, a value added (business) tax of 5% is applied. This is a standard tax rate across a wide variety of product and service categories.

Table: Broccoli:- Applicable Tariff			
Tariff Number	Description	Unit	Tariff Rate
0704.10.00	Cauliflower & Headed Broccoli, fresh or chilled	Kg.	36%

Labeling Standards

According to the Bureau of Animal and Plant Health Inspection & Quarantine (BAPHIQ) there are no special labeling requirements for either broccoli or cauliflower. This is confirmed by importers. According to importers, boxes are generally labeled with the name and address of the supplier and the net weight of the product.

Other Requirements or Restrictions

According to information from BAPHIQ, the import of plant and plant product (including broccoli and cauliflower) should be in conformity with the requirements of the Plant Protection and Quarantine Act and its Enforcement Rules as well as other administrative instructions concerning plant quarantine. An import permit is required from BAPHIQ.

There are no special phytosanitary requirements for these vegetables beyond those listed on the quarantine forms.

Generally, quarantine inspections are completed within two days except where there is a necessity for further identification or disinfection of the product.

U.S. suppliers should check with the U.S. Animal Plant Health Inspection Service for the latest phytosanitary requirements. As Taiwan is in the process of introducing more stringent regulations regarding the acceptable limits for agricultural chemicals found on imported vegetables, they should also ensure that their importers check with BAPHIQ for any changes to the regulations.

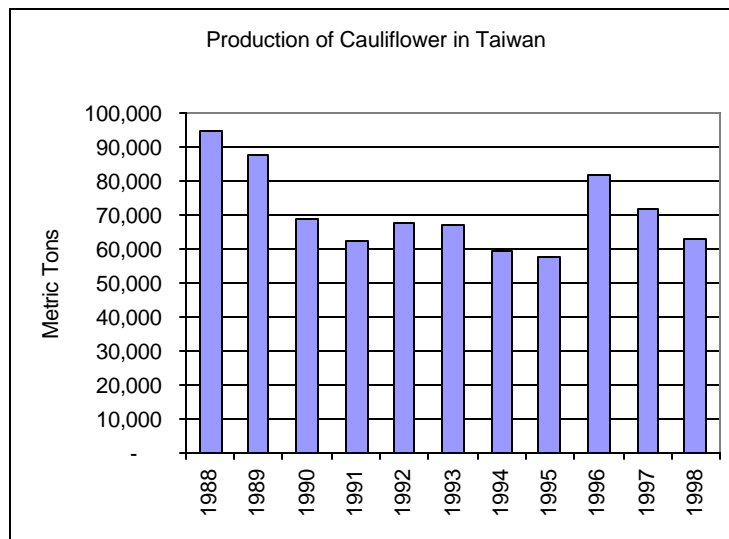
Trends in Consumption

Total consumption of broccoli and cauliflower is estimated to be around 70,000 tons per annum. In both the production statistics and in the import data, broccoli and cauliflower are considered together. Separate statistical information on each vegetable is not available.

Composite production and import data provides the following consumption profile:

Table: Broccoli & cauliflower – Estimated Market Size (Metric Tons)				
Year	1995	1996	1997	1998
Production	57,660	81,900	71,688	63,959
Imports	2,109	3,107	4,119	3,917
Total Consumption	59,769	85,007	75,807	67,876
Source: Council of Agriculture and Board of Foreign Trade				

Over the past four years total consumption of the two vegetables has averaged around 70,000 tons per annum. Little change in the market is foreseen.



Discussion with Taiwan agricultural authorities as well as those within the supply chain suggest that demand for cauliflower is satisfied almost entirely from the domestic market. Because of short shelf life and problems of discoloration, it is not an especially popular vegetable. It is estimated that cauliflower comprises no more than 30% of the total production of this group. Imports under this category are almost entirely of broccoli of which approximately 80% finds its way into retail markets while the remaining 20% is destined for the institutional markets-- predominantly western style hotels and restaurants.

Many Taiwanese use the two vegetables interchangeably and "broccoli" in Chinese is referred to as "Green" or "American" cauliflower. Broccoli is considered by many to be an expensive green leaf vegetable. Unfortunately, demand for leaf vegetables is relatively price inelastic. If broccoli prices increase, consumers tend to buy other leaf vegetables.

The acceptance of broccoli as a household vegetable is mainly by city dwellers and with small niche markets within the expatriate community--and those hotels and restaurants catering to western tastes. Within the import market there is some price elasticity as institutional buyers generally prefer the imported product because of its greater consistency of quality and the ability to have recourse should a specific shipment not meet quality standards.

Local production of this vegetable is seasonal; during the winter months the local variety is in plentiful supply although during summer months there is reliance on imported product.

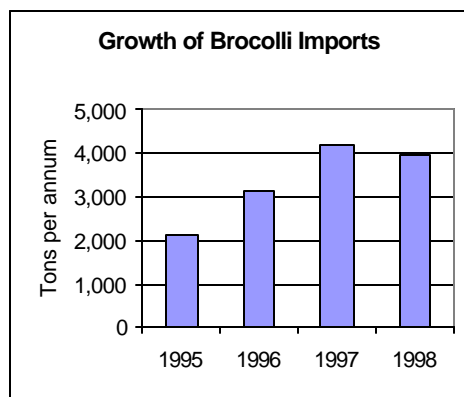
In the case of vegetable produce grown and sold locally, production is in the hands of a large number of small 'part-time' farmers and market gardeners. Buyers find it impossible to isolate the source and obtain a remedy for any problems with local produce.

Importers as well as distributors/retailers contacted during the course of this study claim that the market will remain stable over the next 3-4 years in terms of overall consumption. However, with declining production, there is likely to be an increasing reliance on imports.

The acceptance of broccoli as a household vegetable could be enhanced by promoting its nutritional value.

Trade & Competition

Imports under this tariff item have increased by 92% (by value) over the past four years to a total of almost 4,000 tons per annum. Over the past 4 years, imports by volume under the category of "Cauliflower and Broccoli" have grown by an average of 29% annually.



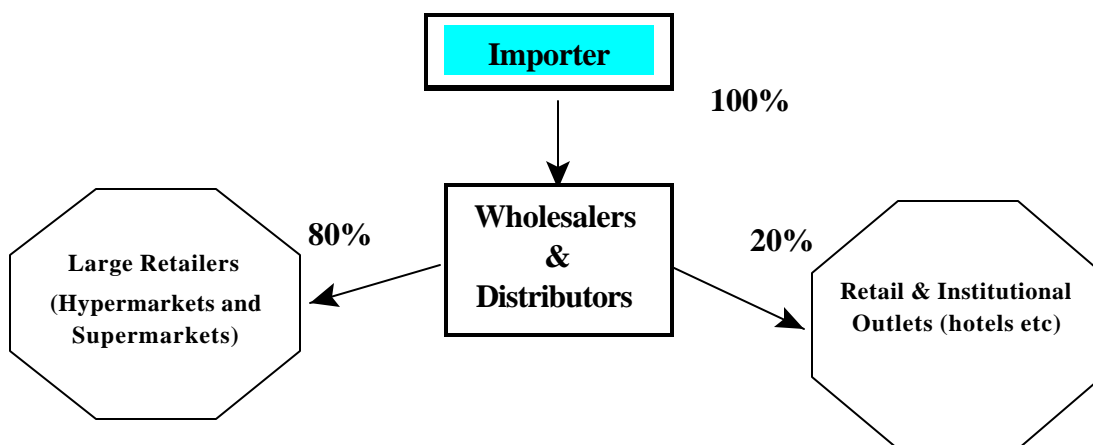
Discussions with importers and distributors suggest that broccoli accounts for 99% of the total by volume and value. The United States is the dominant supplier of imported broccoli. Imports of broccoli from the US (in current dollar terms) have grown by almost 80%, although as a percentage of the total market, this has declined slightly from a high of 84% in 1996 to 76% in 1998. Australia is the other major supplier.

The following table compares US market share with that of other suppliers:

Table: Broccoli : Major Suppliers by Value (US\$)				
Year	1995	1996	1997	1998
Total	\$1,887	\$2,572	\$3,166	\$3,622
USA	\$1,548	\$2,164	\$2,564	\$2,770
Australia	\$339	\$408	\$601	\$851
US Share of imports	82%	84%	81%	76%

The increase in broccoli imports is accounted for predominantly by sales to the food service industry. Importers generally sell direct to wholesalers who then distribute the product. Importers dislike selling direct to the retailers since orders are generally less than a container load.

Distribution Channels for Imported Product



Packaging

There are no specific packaging requirements for the import of broccoli. Importers claim that the product is typically packed in 25 lb. cardboard cartons.

Exporters should bear the following general points in mind:

1. Because of the low profit margins within the industry, fresh vegetables are usually shipped by sea.
2. If a container has multiple products inside, the exporter should ensure that at least one box of each product is located at the entrance to the container for ease of customs and quarantine inspection. All packaged goods are to have five (5) sides sealed with the sixth able to be opened for inspection.
3. Importers generally require that netting be placed over the handles of the boxes on vegetable products and over any other holes on the outer packaging larger than 1.6cm. This is to prevent goods falling out.

Tips for Exporters

1. As long as all documentation is clearly and correctly completed and sanitary requirements have been completed according to Taiwan regulations, local importers report that the import process for vegetable products is relatively smooth and efficient. Generally it takes 2-3 days to clear Customs and Quarantine.
2. Prior to leaving the country of origin all packaged vegetable goods must be sealed with numbered adhesive tape, which is not to be removed or broken until customs and quarantine officials inspect the shipment.
3. All shipping documentation including the Bill of Lading and Phytosanitary Certificate must list the container number and adhesive tape number.
4. The Phytosanitary Certificate should be sent to the importer prior to the shipment arriving in Taiwan and for precautionary reasons prior to leaving the country of origin if possible.
5. Should a shipment fail quarantine inspection, the shipment in question is required to be fumigated. As this may cause a delay of several days, the shipment is often destroyed because of the adverse effect the delay has on product quality.

Treatment Requirements for Fresh/Chilled Vegetables			
Treatment	Fumigation	Refrigeration	
	Exposure (Hour)	Temp. (F)	Period (day)
Fumigation plus Refrigeration, Methyl Bromide 32 g/m3 at 21 degrees Celsius (69.8 degrees Fahrenheit) or above, chamber load not to exceed 80% of volume.	2	33-37	4
		38-47	11
	2.5	38-40	4
		41-47	6
		48-56	10
	3	43-47	3
		48-56	6

List of Key Importers

Company Name : Fore Know Enterprise Co. Ltd
Address : 7Fl, 1, Fu Hsing North Rd, Taipei City
Telephone : (02) 2741-6985
Facsimile : (02) 2752-7773
Capital : 20,000,000

Company Name : Green Village Inc.
Address : 7F, 121 Min Sheng East Rd, Section 3, Taipei City
Telephone : (02) 2719-6058
Facsimile : (02) 2718-6923
Capital (NT\$) : 5,000,000

Company Name : Season Fresh Agricultural Industry Co.
Address : 5F, 7, Alley 33, Lane 250, Huan Ho South Rd, Section 2, Taipei City
Telephone : (02) 2308-3553
Facsimile : (02) 2304-1101
email : tstepe@ms21.hinet.net
Capital (NT\$) : 5,000,000

Company Name : Three Shine Trading Co. Ltd
Address : 5F, 7, Alley 33, Lane 250, Huan Ho South Rd, Section 2, Taipei City
Telephone : (02) 2308-3553
Facsimile : (02) 2304-1101
Capital (NT\$) : 15,000,000

Company Name : World-Link Food Corp.
Address : 9F, 70 Cheng Teh Rd, Section 1, Taipei City
Telephone : (02) 2555-8131
Facsimile : (02) 2555-3788
Capital (NT\$) : 5,000,000